INFORMATION BULLETIN

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Measures relating to Québec's public prescription drug insurance plan and the health contribution and changes to certain fiscal measures

This information bulletin stipulates an adjustment to the exemptions allowed for setting the premium for Québec's public prescription drug insurance plan and the health contribution, certain changes to the rules setting the financial participation of seniors to the public prescription drug insurance plan as well as an exemption from the health contribution for seniors in greatest need.

In addition, it specifies that certain rechargeable hybrid vehicles are eligible for the refundable tax credit for the acquisition or leasing of a new green vehicle.

Lastly, it changes a requirement in relation to the information return regarding an individual who acts as a clinical trial subject for the purposes of the refundable tax credit for scientific research and experimental development.

For information concerning the matters dealt with in this information bulletin, contact the Secteur du droit fiscal et de la fiscalité at 418 691-2236.

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Finances Québec

Measures relating to Québec's public prescription drug insurance plan and the health contribution and changes to certain fiscal measures

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1. DETERMINATION OF THE EXEMPTIONS RELATING TO QUÉBEC'S PUBLIC PRESCRIPTION DRUG INSURANCE PLAN AND THE HEALTH CONTRIBUTION

The prescription drug insurance plan introduced by the Québec government ensures all Quebecers fair access to the medication required by their state of health. Coverage under this plan is provided either by the Régie de l'assurance maladie du Québec as administrator of the public prescription drug insurance plan, or by insurers providing group insurance or administrators of private-sector employee benefit plans.

As a general rule, the Régie de l'assurance maladie du Québec provides coverage for persons who are not required to participate in a group insurance contract or an employee benefit plan applicable to a specified group of persons as well as coverage for those persons whom no one is required to cover.

Unless they are exempt under the Act respecting prescription drug insurance,[1] adults registered with the Régie de l'assurance maladie du Québec are required to contribute to the payment of the cost of pharmaceutical services and prescription drugs supplied to them whenever a prescription is filled or renewed. This contribution consists of a deductible[2] and a portion of coinsurance.[3]

Adults not insured by the private sector during an entire year are, subject to certain exceptions, required to pay, when they file their tax return for such year, a premium to finance the public prescription drug insurance plan if their family income exceeds the applicable exemption thresholds for the year.

In addition, an adult whose family income exceeds the exemption threshold that applies to him for a year must, to help ensure the long-term viability of the public health care system, pay a contribution, hereunder called "health contribution", through his tax return for the year.

Since July 2011, seniors who have little or no income other than the Old Age Security Pension and the Monthly Guaranteed Income Supplement paid under the Old Age Security Act[4] receive an additional amount on account of the monthly guaranteed income supplement that may reach $50 per month for a single person[5] and $70 per month for a couple of pensioners.[6]

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1 R.S.Q., c. A-29.01.

2 The deductible is the portion of the cost of pharmaceutical services and prescription drugs that a person covered by the plan is fully responsible for during the reference period. Since July 1, 2010, the amount of the deductible is $192 per year, divided into equal monthly parts.

3 The coinsurance is the proportion of the cost of pharmaceutical services and prescription drugs that is charged to the covered person. Since July 1, 2009, the coinsurance proportion is 32%.

4 R.S.C., 1985, c. O-9.

5 This amount is indexed for any month of a quarter beginning after September 30, 2011.

6 I.e., for each member of the couple, an amount of $35 per month, indexed for any month of a quarter beginning after September 30, 2011.

To determine the amount that may be added to the monthly guaranteed income supplement otherwise established, a special calculation must be made. Briefly, where the annual income of the pensioners for the reference year[7] calculated without including benefits paid under the Old Age Security Act is no greater than $2 000 in the case of a single person and no greater than $4 000 in the case of a couple, the full additional amount is allowed. Starting from these thresholds, it decreases gradually as income for the reference year rises.

However, while the additional amount on account of the monthly guaranteed income supplement is designed to increase the disposable income of the most vulnerable seniors, the way in which it is determined leads to negative repercussions for many of them. These negative repercussions consist in particular of loss of their status as persons exempt from the contribution and the premium for the public prescription drug insurance plan and, for some, loss of their status as persons exempt from the health contribution.

Accordingly, to protect the purchasing power of households and the disposable income of persons age 65 or over who are the most disadvantaged, changes will be made to some of the rules setting the financial participation in the public prescription drug insurance plan and the health contribution.

❑ Contribution to the public prescription drug insurance plan

Currently, the Act respecting prescription drug insurance stipulates that, for the purposes of the public plan, the maximum contribution towards the cost of pharmaceutical services and prescription drugs provided whenever a prescription is filled or renewed is $600 per year divided into equal monthly parts, in the case of a person age 65 or over who receives less than 94% of the maximum monthly guaranteed income supplement under the Old Age Security Act and $963 otherwise.[8]

However, adults whose income consists essentially of social assistance benefits based on an examination of resources, needs or income are exempt from paying any contribution. This exemption, which targets the most disadvantaged persons, is geared more specifically to persons eligible for a last-resort financial assistance program stipulated in the Individual and Family Assistance Act,[9] as well as to persons age 65 or over who receive 94% or more of the maximum monthly guaranteed income supplement under the Old Age Security Act.[10]

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7 I.e. the calendar year preceding the period of payment.

8 Section 28 of the Act respecting prescription drug insurance.

9 R.S.Q., c. A-13.1.1.

10 Second subsection of section 29 of the Act respecting prescription drug insurance.

To offset the effect of the new method of calculation of the monthly guaranteed income supplement on the exemption of any contribution to the public prescription drug insurance plan that a person age 65 or more may enjoy, the Act respecting prescription drug insurance will be amended[11] to stipulate that, for any month after June 2011, the maximum amount of the monthly guaranteed income supplement to which a proportion of 94% must be applied will be understood as the maximum amount of the monthly guaranteed income supplement determined without including the amount that may be added to the supplement pursuant to sections 12.1 or 22.1 of the Old Age Security Act, as the case may be.

❑ Premium for the public prescription drug insurance plan

As a general rule, an adult not covered by group insurance or a private-sector employee benefit plan throughout a year must pay for such year a premium to finance the public prescription drug insurance plan.

However, most adults who are exempt from contributing to payment of the cost of pharmaceutical services and prescription drugs provided for them under the public plan are also exempt from paying this premium.

For the period beginning July 1, 2010 and ending June 30, 2011, the maximum annual premium was $600, but was reduced to $563 for the period beginning July 1, 2011 and ending June 30, 2012. Accordingly, for 2011, the maximum annual premium is $581.50.

To reflect households' ability to pay, the premium payable by an adult for a year is determined on the basis of family income, from which an exemption amount based on the household's composition is subtracted.[12] Since the introduction of the public prescription drug insurance plan, the amount of these exemptions has been adjusted annually to protect households' purchasing power.

In addition, to ensure that the premium remains progressive, two contribution rates are applicable. The first rate[13] applies to the first $5 000 of covered income and the second,[14] to income in excess of $5 000.

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11 More specifically, paragraph 1 of the second subsection of section 29 of the Act respecting prescription drug insurance and, consequentially, the first subsection of section 28 of the Act.

12 The amount that must be applied to reduce family income makes it possible to exempt from payment of the premium adults whose family income is below a certain threshold.

13 For 2011, the first contribution rate is 6.02% for a single person and 3.04% for a person living in a couple.

14 For 2011, the second contribution rate is 9.07% for a single person and 4.55% for a person living in a couple.

■ Adjustment of the amount of the exemptions for 2011

To protect households' purchasing power, the amount of each of the exemptions currently allowed for the purposes of calculating the premium for the public prescription drug insurance plan will be adjusted for 2011.

The following table shows the amount of each of the exemptions that will be allowed for 2011 according to household composition.

Amount of the exemptions allowed for the purposes of calculating the premium for the public prescription drug insurance plan
(dollars)

Household composition	Exemption amount
1 adult, no children	14 410
1 adult, 1 child	23 360
1 adult, 2 or more children	26 455
2 adults, no children	23 360
2 adults, 1 child	26 455
2 adults, 2 or more children	29 310

■ Exemption of persons age 65 or over who are most disadvantaged

According to the Act respecting prescription drug insurance, a person who is age 65 or over throughout a year is exempt from payment of the premium for such year if he receives in the year amounts on account of the monthly guaranteed income supplement under the Old Age Security Act that add up to at least 94% of the maximum amount that may be paid on that account annually.

To offset the effect of the new method of calculation of the monthly guaranteed income supplement on the exemption from the premium for the public prescription drug insurance plan that may be allowed a person age 65 or over throughout a year, the Act respecting prescription drug insurance will be amended[15] to stipulate that such a person will be exempt from payment of the premium for such year if all of the amounts he receives in the year for each of the months of the year on account of the monthly guaranteed income supplement determined without including the amount that may be added to the supplement pursuant to sections 12.1 or 22.1 of the Old Age Security Act, as the case may be, represent at least 94% of all of the amounts each of which corresponds to the maximum amount that could have been paid to him on account of the monthly guaranteed income supplement determined without including the amount that may be added to the supplement pursuant to sections 12.1 or 22.1 of the Old Age Security Act, as the case may be, for any month of the year.

15 More specifically, section 24.1 of the Act respecting prescription drug insurance.

In addition, to ensure the fairness of the plan for the most disadvantaged persons who reach age 65 during a year, the Act respecting prescription drug insurance will be amended to stipulate that such a person will be exempt from payment of the premium for the public prescription drug insurance plan for the year if, on the one hand, such person receives last-resort financial assistance for each of the months included in the year preceding the month following the one during which he reaches age 65 and, on the other, he receives, for each month of the year following the one during which he reaches age 65, 94% or more of the maximum amount of the monthly guaranteed income supplement determined without including the amount that may be added to the supplement pursuant to sections 12.1 or 22.1 of the Old Age Security Act, as the case may be.

These amendments to the Act respecting prescription drug insurance will apply as of 2011.

❑ Exemption from the health contribution for persons age 65 or over who are most disadvantaged

As a general rule, an adult who resides in Québec at the end of a year must pay the health contribution for such year,[16] unless his family income for the year is equal to or less than the amount of the exemption allowed him for the year for the purposes of calculating the premium for the public prescription drug insurance plan, or that would be allowed him for the year had he been required to pay such premium.

So that persons age 65 or over who are exempt from payment of the premium for the public prescription drug insurance plan do not have to suffer a reduction in their disposable income because they are subject to payment of the health contribution, the Act respecting the Régie de l'assurance maladie du Québec[17] will be amended to stipulate that such persons will also be exempt from payment of the health contribution as of 2011.

16 For 2011, the health contribution is $100 per adult.

17 R.S.Q., c. R-5.

2. ELIGIBILITY OF RECHARGEABLE HYBRID VEHICLES FOR THE REFUNDABLE TAX CREDIT FOR THE ACQUISITION OR LEASING OF A NEW GREEN VEHICLE

To encourage the acquisition or long-term leasing of new vehicles that meet strict greenhouse gas emission standards, the tax system stipulates that an individual or a corporation that acquires or leases on a long-term basis a recognized green vehicle, after December 31, 2008 and before January 1, 2012, is entitled to a refundable tax credit of up to $8 000 for his taxation year that includes that time.

Essentially, to be recognized as a green vehicle, the vehicle must be new, have four wheels, be intended for use on public roads and be either a vehicle powered totally or partially by gasoline or diesel, or a vehicle using no fuel as a source of energy, including a low-speed vehicle.

In addition, where the vehicle is powered totally or partially by gasoline or diesel, the vehicle's weighted fuel consumption rating must be equal to or less than 5.27 litres per 100 kilometres for a vehicle fuelled by gasoline and 4.54 litres per 100 kilometres for one using diesel.

The following table shows the value of the tax credit that may be allowed for each recognized green vehicle acquired during calendar year 2011.

Value of the refundable tax credit for the acquisition of a new green vehicle in 2011
(dollars)

Type of vehicles	Tax credit
Vehicles with a weighted fuel consumption rating	
– of 3 to 5.27 L/100 km of gasoline or equivalent[1]	1 500
– of 0.01 to 2.99 L/100 km of gasoline or equivalent,[2] if acquired before March 18, 2011	3 000
– of 0.01 to 2.99 L/100 km of gasoline or equivalent,[2] if acquired after March 17, 2011	7 769
Vehicles using no fuel	
– low-speed vehicles	4 000
– others vehicles	8 000

1 From 2 58 to 4 54 L/100 km of diesel
2 From 0 01 to 2 57 L/100 km of diesel

Where a recognized green vehicle is leased on a long-term basis[18] under a lease entered into in 2011, the amount of the tax credit is established by applying a rate, ranging from 25% to 85% depending on the length of the continuous lease period, to the amount that would otherwise have been allowed had the vehicle been acquired in 2011.

18 For the purposes of the tax credit, a long-term lease means a lease for a continuous period of at least 12 months.

As of January 1, 2012, the refundable tax credit for the acquisition or leasing of a new green vehicle will be replaced by an electric or hybrid vehicle purchase or lease rebate program.[19] To support the fact that transportation electrification will reduce oil dependency and cause less damage to the environment, the rebate program will focus chiefly on rechargeable hybrid electric vehicles and exclusively electric vehicles able to travel on a public road where the authorized speed limit is more than 50 kilometres per hour.

For this type of vehicle, the purchase rebate will be calculated on the basis of battery capacity in kilowatt-hours. For 2012, it is expected that the rebate will range between $5 000 and $8 000.

To avoid a situation where some consumers wait until 2012 to acquire or lease a rechargeable hybrid electric vehicle, it was announced, in the March 17, 2011 Budget Speech, that the value of the tax credit allowed for the acquisition of a vehicle with a weighted fuel consumption rating of almost zero would rise from $3 000 to $7 769. The figure of $7 769 was set to correspond to the rebate on the purchase of a vehicle equipped with a battery with a capacity of 16 kilowatt-hours, such as that of the Chevrolet Volt recently introduced to the Québec market.

For the purposes of the tax credit, a vehicle's weighted fuel consumption rating is equal to the total of the amount corresponding to 55% of its city fuel consumption rating and that corresponding to 45% of its highway fuel consumption rating.

Generally speaking, the city and highway fuel consumption ratings that must be used for the purposes of this calculation for a given vehicle are those based on the number of litres of fuel per 100 kilometres that a vehicle of the same brand, model and model year[20] as the given vehicle consumes and with the same features, as set out in the *Fuel Consumption Guide* published annually by Natural Resources Canada.[21]

However, the arrival on the market of extended range rechargeable hybrid vehicles is expected to prompt Natural Resources Canada, like the United States Environmental Protection Agency,[22] to review its methodology for estimating consumption ratings of this type of vehicle since in electric-only mode the vehicle does not consume any fuel.

In this context, it is inappropriate to seek to determine a weighted fuel consumption rating for extended range rechargeable hybrid vehicles.

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19 MINISTÈRE DES FINANCES DU QUÉBEC, *2011-2012 Budget – Budget Plan*, March 17, 2011, p. E.119-E.127; GOUVERNEMENT DU QUÉBEC, *Québec roule à la puissance verte! – Plan d'action 2011-2020 sur les véhicules électriques*, April 2011, p. 20-21.

20 Essentially, this is the year used by the maker to designate a separate vehicle model, regardless of the calendar year of its production, which model year is indicated by a code in the vehicle identification number in accordance with the Motor Vehicle Safety Act (S.C. 1993, c. 16).

21 This guide can be viewed at <http://oee.nrcan-rncan.gc.ca/transportation/tools/fuelratings/fuel-consumption.cfm?attr=8> (website consulted October 24, 2011).

22 The mission of this U.S. government agency, created in December 1970, is to protect human life and safeguard natural elements – air, water and soil – that are essential to life.

Accordingly, the tax legislation will be amended to stipulate that, for extended range rechargeable hybrid vehicles acquired or leased under a long-term lease contract after March 17, 2011 and before January 1, 2012, the amount of the tax credit allowed for the acquisition of such a vehicle will be $7 769 if the vehicle is equipped with a battery with a capacity of 16 kilowatt-hours and $8 000 if the battery's capacity is 17 kilowatt-hours or more.

3. CHANGE TO THE REFUNDABLE TAX CREDIT FOR SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT

A taxpayer who carries on a business in Canada may claim a refundable tax credit for scientific research and experimental development (R&D) in relation to R&D projects he carries out in Québec or carried out on his behalf by a subcontractor. This tax credit is commonly called the refundable tax credit for R&D salaries.[23]

Briefly, in arm's-length subcontracting situations, this tax credit applies to 50% of the amount of a research contract or the amount of a contract for work that is not R&D but is related to it. In such situations, the taxpayer who claims the refundable tax credit for R&D salaries for a taxation year must, in a return that must be filed with the Minister of Revenue by the deadline stipulated by the legislation,[24] disclose the identity of the subcontractor as well as information on the total amount of the subcontract and the portion of such amount paid to the subcontractor to do work in such year. Where such a subcontractor is an individual who acts as a clinical trial subject, he must be identified using his name and social insurance number. Failure to report this information prevents the taxpayer from receiving this tax credit.

This specific return concerning the identification of a subcontractor is designed to ensure better integrity of the tax system. Its purpose is to facilitate the work of Revenu Québec by grouping within the tax file of a taxpayer claiming the refundable tax credit for R&D salaries the relevant information making it possible to quickly identify the subcontractor to whom execution of the work is awarded, and isolate the financial data relating to the subcontract used in the calculation of such refundable tax credit.

However, research ethics committees, which are responsible for assessing and approving the documents describing the process followed in a clinical trial as well as the main terms and conditions to which a clinical trial subject is submit, apply strict ethical standards to clinical research. These standards are designed to protect the health and integrity of clinical trial subjects as well as their privacy, and restrict the information that a clinical trial subject may be asked to provide to participate in a clinical trial.

Accordingly, the obligation to identify a clinical trial subject through his social insurance number for the purposes of the refundable tax credit for R&D salary might hamper the carrying out of clinical trials. Nonetheless, the identification requirement must be maintained because of its objective but, in view of the strict ethical standards of clinical research, a clinical trial subject could be identified by means other than disclosure of his social insurance number.

The Minister of Revenue may require a variety of information in a return filed by a person to identify him or her or another person mentioned in such return.[25] This information includes a person's name and date of birth.[26]

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23 Sections 1029.7 and 1029.8 of the Taxation Act (R.S.Q., c. I-3).

24 Sections 1029.6.0.1.2 and 1029.8.0.0.1 of the Taxation Act.

25 Section 58.1 of the Tax Administration Act (R.S.Q., c. A-6.002).

26 Section 58.1.1 of the Tax Administration Act.

Accordingly, the tax legislation will be amended regarding the information contained in the return a taxpayer who claims a refundable tax credit for R&D salaries must file in the situation where an amount is paid to a subcontractor who is an individual at arm's length with the taxpayer who claims such tax credit and who participates as a clinical trial subject in such trial conducted in accordance with the standards set out in the Food and Drug Regulations.[27] In such situation, the information contained in this return to identify such individual will be his name and date of birth.

This amendment will apply in relation to the identification of such an individual in a return that must be filed by a taxpayer for a taxation year ending after March 30, 2010.

Furthermore, regarding a taxation year ending after March 30, 2010 and before November 1, 2010, the tax legislation will be amended such that a taxpayer who files with the Minister of Revenue, no later than April 30, 2012, a return in which he indicates the name and date of birth of a subcontractor who is an individual who participated as a clinical trial subject in such a trial carried out in accordance with the standards established by the Food and Drug Regulations as well as information on the total amount of the subcontract and on the portion of such amount paid to the subcontractor to do work in such year, shall be deemed, regarding such information, to have filed such return within the deadline stipulated by the legislation.[28]

27 C.R.C., c. 870, enacted under the Food and Drugs Act (R.S.C., 1985, c. F-27).

28 Sections 1029.6.0.1.2 and 1029.8.0.0.1 of the Taxation Act.